

14th
*Annual
Report*
1941

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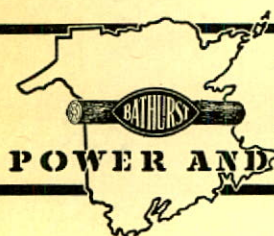
McGILL UNIVERSITY



BATHURST

POWER AND PAPER COMPANY LIMITED

FOURTEENTH
ANNUAL
REPORT
1941



BATHURST

POWER AND PAPER COMPANY LIMITED

BATHURST POWER AND PAPER COMPANY LIMITED



Officers

R. L. WELDON	<i>President</i>
P. A. THOMSON	<i>Vice-President</i>
H. J. WEBB	<i>Vice-President and Secretary-Treasurer</i>
G. A. SCHRYER	<i>Asst. Treasurer</i>
F. D. LAMONT	<i>Asst. Treasurer</i>

Directors

F. J. CAMPBELL	R. G. IVEY, K.C.
A. J. NESBITT	P. A. THOMSON
H. P. ROBINSON	JOSEPH SIMARD
H. J. WEBB	R. L. WELDON

J. B. WOODYATT

Report of Directors

TO THE SHAREHOLDERS OF BATHURST POWER AND PAPER COMPANY LIMITED

The Directors present herewith the Consolidated Statement of Profit and Loss covering operations for the year ended December 31, 1941, the Consolidated Statement of Earned Surplus and Consolidated Balance Sheet as at December 31, 1941, together with the report of the Auditors, Messrs. Price, Waterhouse & Company.

The essential features of the financial position and the results of operations are referred to hereunder:

FINANCIAL

Consolidated net profit for the year 1941 after all charges amounted to \$918,447.23 as compared with \$786,742.78 in 1940. Premium on exchange on proceeds of sales to the United States amounted to \$155,116.85 during the year.

Consolidated provision for Depreciation and Depletion of \$543,139.35 compares with \$437,343.40 for the previous year.

Provision for Dominion Income and Excess Profits taxes was \$612,298.15 for 1941, and \$504,418.32 for 1940.

Total funds which became available from earnings during the year, and their disposition are set forth below:

Funds which became available

Consolidated Net Profit.....	\$918,447
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Charges included therein not involving cash outlay

Depreciation.....	433,019
Depletion.....	110,120
Increase in Reserves provided through direct charges to operating accounts and other miscellaneous credits.....	16,921

Total Funds which became available.....	<u>1,478,507</u>
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Disposition of Funds

Added to Working Capital.....	849,616
Invested in Plant and Equipment.....	54,038
Increase in Prepaid and Deferred Charges.....	59,853
Purchase Money Notes Redeemed.....	15,000
Dividends Paid.....	500,000
TOTAL.....	<u>1,478,507</u>

Net Current and Working Assets at \$3,649,708.88 showed an increase of \$849,616.32 over December 31, 1940. Cash and Securities at the year end amounted to \$1,006,748.62 an increase of \$253,893.34 compared with December 31, 1940.

Four quarterly dividends of 25c, and a bonus of 25c, aggregating \$1.25 per share on the Class "A" Shares, were paid during 1941, amounting in all to \$500,000. The net earned surplus on December 31, 1941 was \$1,044,987.95.

The Company subscribed \$300,000 to the First Victory Loan, and \$500,000 to the Second Victory Loan. Subscriptions of employees to both loans have also been substantial. It is likewise gratifying to record that 100% of permanent employees of the Manufacturing and Woodlands Departments subscribed to War Savings Certificates.

Inventories including expenditures for current logging season's operations at \$2,597,550.36 reflect an increase of \$273,385.69 which is due to increased volume of business and somewhat larger volume of supplies required to offset slower deliveries.

Commencing with the taxable year 1940 the Company adopted the method commonly known as "Last-in-first-out" system of charging wood and certain basic raw materials into cost of production, that is to say, such materials are charged to manufacturing costs at the price level represented by the cost of the most recent purchases, with the result that production costs are developed in harmony with the trend of raw material prices. In this way, during a period of rising prices manufacturing costs follow the current prices of materials and inventory values are maintained at levels corresponding to those of December 31, 1939. Although we are informed that this method is not acceptable to the Income Tax Department in determining profits for income tax purposes it is considered that any other method of cost accounting and inventory control does not portray the real facts about costs and earnings, and will work hardship when the trend of price levels begins its inevitable downward movement on the conclusion of the war.

PROPERTIES

Capital additions to buildings, plant and machinery during the year under review amounted to \$54,038.04.

Costs of maintenance for plant and machinery increased substantially during the year, and there was a growing difficulty in obtaining suitable supplies. Because of the high rate of operations and the extent to which plant facilities were subjected to greater wear and tear it was considered advisable to increase the provision for depreciation. The additional amount applicable throughout the year and absorbed in the last quarter was \$63,915.33.

PRODUCTION

All production units operated full time or more with total production substantially in excess of 1940.

PRODUCTION—TONS

	<u>1941</u>	<u>% of Total</u>	<u>1940</u>	<u>% of Total</u>
Kraft Products (Liner and Corrugating Board).....	47,357	44.68	39,015	40.45
Unbleached Sulphite (Baled for sale).....	20,932	19.75	20,464	21.22
Boxboards.....	18,942	17.87	18,222	18.89
Newsprint and Miscellaneous Specialties.....	18,762	17.70	18,745	19.44
	<u>105,993</u>	<u>100 %</u>	<u>96,446</u>	<u>100 %</u>

Manufacturing costs increased appreciably in 1941 as compared with 1940. Costs, particularly of wood, will increase further in 1942.

SALES AND MARKETS

The Company's output of kraft products and boxboards are sold principally in the domestic market and to the United Kingdom and Australasia. Unbleached sulphite and newsprint are sold in the United States with some sales to the domestic market and to the United Kingdom.

Prices for all products with the exception of newsprint remained throughout the year at levels established in July, 1940. The price of newsprint remained at the level established on January 1, 1938.

Since early 1940 North America has become the source of supply for pulp and paper products required by the United Nations. Pulp and paper products are used much more freely by the peoples of the United States and Canada than by the peoples of other countries. This fact, coupled with increases in national income engendered by war has increased the ordinary consumption of pulp and paper products in both countries substantially. Pulp and paper also enters into the production directly or indirectly of all munitions of war. The United Kingdom which formerly drew almost entirely on the Scandinavian Countries and Finland for its supplies is now dependent upon North America. Although such requirements have been reduced to the barest essentials the total is substantial.

All this, coupled with requirements of others of the United Nations has served to create the appearance of a shortage which should rather be recognized as a temporary over-demand.

While this over-demand is apparently taxing the productive capacity of the industry *nevertheless there is in North America ample capacity for the various kinds of pulp and paper products to meet all essential necessities required for war and for civilian life.*

ORGANIZATION

The Company continues to enjoy satisfactory relations in all divisions within its organization.

In April 1941, pulp and paper was declared an essential supply for the prosecution of the war. As such the industry became subject to Dominion laws in regard to wage rates, cost-of-living bonus, industrial disputes, etc.

With the mutual consent of both parties the agreement with the members of the Company's organization was amended to accord with the policy set forth by the Dominion Government which provides for the payment of a bonus to meet increases in the cost of living in lieu of increased wages. Based on the last rulings in this matter the weekly cost of living bonus now being paid as from November 15th is \$2.62 ½.

For some years free medical examination and periodic check up for all members of the Company's organization has been in effect. The establishment of this medical department has resulted in a definite reduction in accidents and time lost.

At the year end the Directors set aside the sum of \$50,000 for the purpose of creating a retirement fund for members of the Company's organization. The above sum has been deposited with the Royal Trust Company and a committee appointed by the Company will administer the retirement plan.

Approximately two hundred members of the organization are serving Canada with the Armed Forces. The Directors, management, and fellow members of the organization are proud of them.

TAXES

Under the provisions of Section 5 of the Excess Profits Tax Act the Company has filed with the Minister of National Revenue its claim that the business was one of a class which during the standard period was depressed, and has made application for a reference to the Board of Referees to determine the standard profits of the standard period. Pending consideration by the Board of the Company's claim, provision for Dominion Income and Excess Profits taxes has been calculated at current rates aggregating forty per cent.

MUNITION SUB-CONTRACTS

Early in 1940 it began to appear there would be a shortage of skilled mechanics for munitions, and that existing industries would have to fill the gap. To meet that situation the Company loaned some of its trained mechanics to munition plants.

Courses of training in the mechanical trades were introduced in the Company's maintenance shops. With the assistance of the technical staff, individuals were encouraged to take correspondence courses to assist them in their practical training.

Under the auspices of plans developed by the Canadian Pulp & Paper Association throughout the whole industry in Canada the Company has taken sub-contracts for the production of war materials. In this manner the industry in general has appreciably augmented the war effort, and at the same time fully met the increased demands upon it for pulp and paper products.

COMBINES INVESTIGATION ACT

In March 1939, the Bathurst Company and three other corporations in the industry were named by the Commissioner under the Combines Investigation Act as being parties to an alleged combine, and were subsequently indicted for an alleged violation of the Act.

It is the opinion of the Management that at no time has the Company operated to the detriment and against the interests of the public.

OUTLOOK FOR 1942

The Company can be expected to share in the demands being made upon the industry's producing facilities, but under existing world conditions it is impossible to forecast the future with any assurance.

The Directors acknowledge with appreciation the loyal and efficient services of the members of the Company's organization during a year made more difficult for all by the exigencies of war.

R. L. WELDON,
President.

MONTREAL, February 27th, 1942.

BATHURST POWER AND AND SUBSIDIAR

Consolidated Balance Sheet

ASSETS

	<u>Dec. 31, 1941</u>	<u>Dec. 31, 1940</u>
CURRENT ASSETS:		
Cash in Banks and on Hand.	\$ 646,040.51	\$ 423,272.17
Marketable Securities at book values.	360,708.11	329,583.11
(Quoted market values at December 31, 1941— \$359,239.)		
Accounts Receivable, less Reserve for Doubtful Ac- counts.	853,339.05	751,402.57
Trade Deposits.	30,000.00	29,216.49
Inventories of Raw Materials, Supplies and Finished Products, as determined and certified by respon- sible officials of the Company, valued at prices not in excess of cost or market.	2,162,789.70	1,914,719.93
Expenditures on Current Season's Logging Operations	434,760.66	409,444.74
	<u>\$ 4,487,638.03</u>	<u>\$ 3,857,639.01</u>
PROPERTIES at book values December 31, 1934, with the cost of subsequent additions and after applying in re- duction of values Capital Surplus of \$8,804,082.45 at December 31, 1935—		
Timber Limits and Undeveloped Water Powers.	\$ 7,490,966.97	\$ 7,490,966.97
Buildings, Plant and Machinery.	8,551,817.87	8,497,779.83
	<u>\$ 16,042,784.84</u>	<u>\$ 15,988,746.80</u>
INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES.	<u>\$ 44,504.00</u>	<u>44,504.00</u>
DEFERRED CHARGES:		
Prepaid Taxes and Unexpired Insurance.	\$ 57,226.49	49,908.82
Depletion on Pulpwood on hand, to be absorbed in future operations.	80,656.50	70,662.90
Other Deferred Charges.	117,811.30	75,269.89
	<u>\$ 255,694.29</u>	<u>195,841.61</u>
	<u><u>\$ 20,830,621.16</u></u>	<u><u>\$ 20,086,731.42</u></u>

Approved on behalf of the Board:

R. L. WELDON, }
H. J. WEBB, } *Directors.*

PAPER COMPANY LIMITED

RY COMPANIES

et, December 31, 1941

LIABILITIES

	Dec. 31, 1941	Dec. 31, 1940
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities.....	\$ 228,375.03	\$ 550,495.33
Provision for Income and Excess Profits Taxes (estimated).....	586,442.41	504,330.03
Other Taxes and Stumpage Dues.....	23,111.71	2,721.09
	<u>\$ 837,929.15</u>	<u>\$ 1,057,546.45</u>
PURCHASE MONEY NOTES due more than one year from date	\$ 105,000.00	120,000.00
RESERVES:		
Depreciation of Buildings, Plant and Machinery.....	\$ 2,691,990.77	\$ 2,258,891.80
Depletion of Timber Limits.....	870,517.61	744,330.92
Contingencies.....	24,158.95	24,158.95
Insurance Fund.....	16,036.73	15,262.58
	<u>\$ 3,602,704.06</u>	<u>\$ 3,042,644.25</u>
COMMON STOCK AND SURPLUS:		
Class A—		
Authorized—750,000 shares without nominal or par value.		
Issued—400,000 shares without nominal or par value.....	\$ 14,400,000.00	\$ 14,400,000.00
(Class A Shares are redeemable at \$65.00 per share upon thirty days' notice)		
Class B—		
Authorized—500,000 shares without nominal or par value.		
Issued—300,000 shares without nominal or par value.....	840,000.00	840,000.00
Earned Surplus, as per statement attached.....	1,044,987.95	626,540.72
	<u>\$ 16,284,987.95</u>	<u>\$ 15,866,540.72</u>
	<u>\$ 20,830,621.16</u>	<u>\$ 20,086,731.42</u>

Submitted with our Report to the Shareholders dated February 16, 1942.

PRICE, WATERHOUSE & Co., Auditors.

**BATHURST POWER AND PAPER COMPANY
LIMITED
AND SUBSIDIARY COMPANIES**

*Consolidated Statement of Profit and Loss for
years ending December 31, 1941 and 1940*

	Year 1941	Year 1940
Net Sales, less freight, allowances and discounts.	\$6,600,011.10	\$5,458,358.45
Cost of Sales and Expenses Including Manufacturing Cost, General Administration and Selling Expenses, except Officers' Remuneration, Directors' Fees, Legal Expenses and after deducting Miscellaneous Operating Income.	4,588,057.43	3,785,922.42
	\$2,011,953.67	\$1,672,436.03
Non-Operating Revenue Interest on Investments, Premium on Exchange and Sundry non-operating Income.	198,250.00	146,028.88
	\$2,210,203.67	\$1,818,464.91
Deduct:		
Officers' Remuneration.	63,946.05	61,600.00
Provincial Corporation Taxes.	22,924.89	22,856.59
Legal Expenses.	3,011.89	8,751.17
Directors' Fees.	7,153.75	7,450.00
Employees' Pension Fund.	50,000.00	—
	\$ 147,036.58	\$ 100,657.76
Profit before Depreciation, Depletion and Income and Excess Profits Taxes.	\$2,063,167.09	\$1,717,807.15
Depreciation.	427,931.28	346,127.36
Depletion.	110,120.20	86,300.89
	\$ 538,051.48	\$ 432,428.25
Net Profit Bathurst Power and Paper Company Limited be- fore Income and Excess Profits Taxes.	\$1,525,115.61	\$1,285,378.90
Profit of Subsidiary Company after charging \$5,087.87 for Depreciation and \$393.12 for Officers' Salaries.	5,629.77	5,782.20
	\$1,530,745.38	\$1,291,161.10
Estimated Income and Excess Profits Taxes.	612,298.15	504,418.32
Net Profit for the year.	\$ 918,447.23	\$ 786,742.78

BATHURST POWER AND PAPER COMPANY
LIMITED
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Earned Surplus for
years ending December 31, 1941 and 1940*

	Year 1941	Year 1940
Earned Surplus, at close of previous year.	\$ 626,540.72	\$ 457,643.84
Net Profit for the year.	918,447.23	786,742.78
	<u>\$1,544,987.95</u>	<u>\$1,244,386.62</u>
Dividends paid.	500,000.00	400,000.00
Additional amount appropriated for Depreciation in respect to prior years.	—	217,845.90
	<u>\$ 500,000.00</u>	<u>\$ 617,845.90</u>
Earned Surplus at December 31, per Balance Sheet.	<u><u>\$1,044,987.95</u></u>	<u><u>\$ 626,540.72</u></u>

PRICE, WATERHOUSE & CO.

215 ST. JAMES STREET WEST
(CANADIAN PACIFIC EXPRESS BUILDING)
MONTREAL

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Bathurst Power and Paper Company Limited and its Subsidiary Companies for the year ending December 31, 1941, and have obtained all the information and explanations which we have required. Provision has been made for Income and Excess Profits Taxes in amounts considered by the Directors to be sufficient and this provision is subject to final determination by the Income Tax Department. On this basis we report that the attached Consolidated Balance Sheet at December 31, 1941 is, in our opinion, properly drawn up so as to show a true and correct view of the financial position of Bathurst Power and Paper Company Limited and its Subsidiary Companies at that date, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, February 16, 1942.



We're all 'on the job' at BATHURST

TODAY we are proud to say many members of the Bathurst family are serving with the armed forces. But whether these members are in uniform or whether they are workers in woods or mill, each one is united in the same purpose — to go "full out" in the year ahead.

We at home know the importance of the pulp and paper industry to Canada in time of war — and we know that what counts most of all in this Company's operations is the way we handle our work. That's why, with another grim year of war ahead — and with many of us in the services — we

want to assure you that every one of us Bathurst employees is "on the job" for 1942.

There are many different jobs in an organization the size of ours. Whether it's a big job or a small job the important point is that it be done well — only in that way can we secure the efficient operation needed at this time.

To the people of New Brunswick, therefore, we say — give us your co-operation in full measure for together we can make a real contribution to Canada's war effort in 1942.



BATHURST

POWER AND PAPER COMPANY LIMITED

BATHURST POWER AND PAPER COMPANY LIMITED

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The Following Products are Manufactured at Bathurst for Domestic and Export Markets.

CYLINDER BOARDS—Patent Coated—Bleached Manilla—Pulp-boards—Kraft Lined Boards—Coloured Boards and Screenings Boards.

FOURDRINIER BOARDS—Kraft Liner and Kraft Corrugating Boards.

SULPHITE PULP—High-grade unbleached Sulphite Pulp.

NEWSPRINT—Standard Newsprint Paper.



HEAD OFFICE
Bathurst, New Brunswick

Montreal Office
Sun Life Building, Dominion Square

DISTRICT SALES OFFICES:

ONTARIO.....	159 Bay Street, Toronto, Ont.
QUEBEC.....	Sun Life Building, Montreal, P.Q.
MARITIME PROVINCES.....	Bathurst, N.B.
UNITED KINGDOM.....	Herbert Cox Ltd., London, Eng.
AUSTRALIA.....	E. Lufft & Son, Yalaroi House, Sydney, N.S.W.
NEW ZEALAND.....	Neill Cropper & Co., Dilworth Bldg. Auckland, N.Z.

Mills at
BATHURST, NEW BRUNSWICK

**THE COVER OF THIS REPORT
IS YELLOW PATENT COATED
BOARD MANUFACTURED ON
THE CYLINDER MACHINE
AT BATHURST**

